

oilsands *review*™

THE UNCONVENTIONAL OIL AUTHORITY :: JUNE 2010 :: \$10

WHOLE the WORLD REPORT.

WHY CANADA'S OILSANDS EXPERIENCE WILL PROPEL A GIANT INTERNATIONAL OPPORTUNITY

SUPPLY FOR THE SAVVY INVESTOR

The stage is set for
billions in Asian
investment



+ Earth Energy
Resources says
\$35 million is all
that's between
Utah and oil from
sand **RECEIVED**

MAY 12 2010

Div. of Oil, Gas & Mining

THE TAR SANDS OF THE U.S.A.

This summer, if the group Peaceful Uprising has its way, activists will flock to Utah—some with the benefit of a \$1,500 stipend—to protest a project that with the injection of \$35 million, would become the country's first mining project producing oil from sand. Last fall, Calgary-based Earth Energy Resources received approval for large

mining operations from the Utah Division of Oil, Gas and Mining (DOGMA), reportedly the first permit of its kind in the United States.

With permits in hand, the privately held firm has tackled a significant challenge and is free to focus on its next—raising the money, which could prove to be a small price to pay for the commercialization of fossil fuel re-

sources that is massive compared to what the United States boasts in reserves today.

"Current total U.S. reserves of conventional oil supplies are about 21 billion barrels," says the Utah Mining Association. "Estimates [of] Utah resources alone are 20 billion to 32 billion barrels from oilsands and over 300 billion barrels for oil shale."



With permits now in hand, a Calgary company is a cash injection away from producing oil from America's first oilsands mine

by Deborah Jaremko

The biggest fear for detractors of development is that, because of environmental impacts, Utah will become an "Athabasca South," or a duplicate of the "Alberta Apocalypse" that is Canada's oilsands industry.

Earth Energy Resources president and chief financial officer Glen Snarr points

out that based on the numbers alone, that fear—well placed or not—will not come to fruition. Utah's high estimate of 32 billion barrels of oilsands resources doesn't stock up very high against Alberta's 172 billion barrels in recoverable oilsands reserves, and up to 300 billion barrels in potential resources. But that's the second-largest deposit of

oil in the world, and is hardly an apples-to-apples comparison.

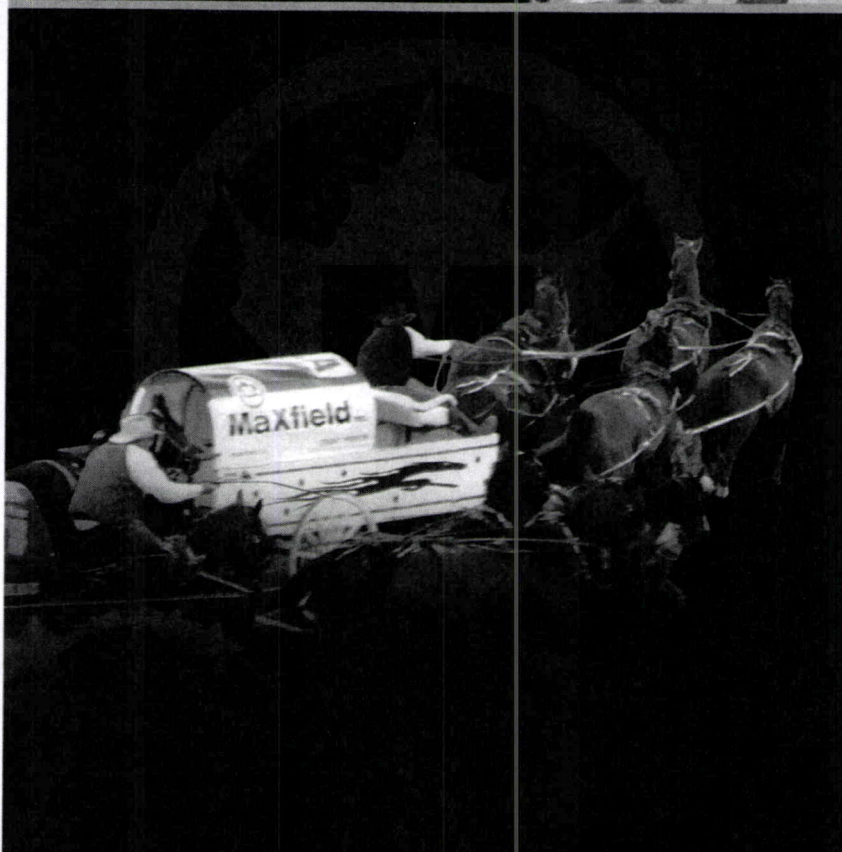
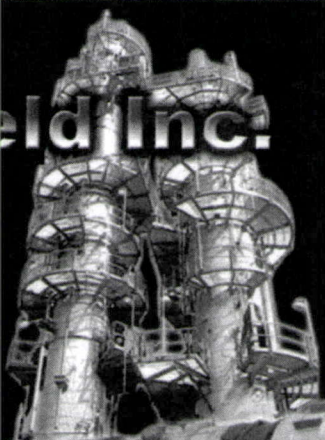
"Utah will never turn into an Athabasca as far as the scale of development," says Snarr, adding that the state's potential is still significant. "It would double U.S. reserves if it was all developed. You will move the needle if you prove up a part of that resource." ■





MaXfield Inc.

**Call Us for all Your
ASME Design, Fabrication,
Package Assembly
& Service Needs**



"Leading the Pack"

CALGARY - 403.258.3680

CROSSFIELD - 403.946.5678

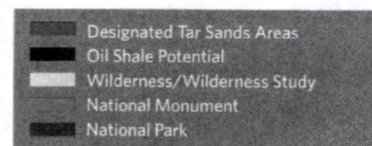
SASKATOON - 306.242.8900

EMAIL - sales@maxfield.ca

www.maxfield.ca

UTAH'S OILSANDS AND OIL SHALE

The state has up to 30 billion barrels of oilsands resources alone



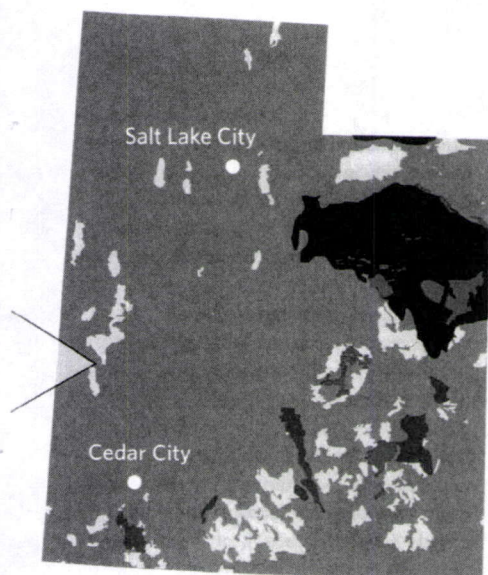
He also says that the company's production technology, once better understood, will be "palatable" to environmental critics. For one thing, the planned project is a 2,000-barrel-per-day pilot. However, the wider idea of oilsands production in Utah has been much less than palatable to many so far, as the DOGM has experienced.

Minerals program manager Paul Baker says the regulator received some negative response when it advertised the Earth Energy approval through newspapers in Salt Lake City and the town of Vernal.

"There was a protest in Salt Lake City," says Baker, adding that DOGM neglected to advertise the approval in the nearby town of Moab, an omission that was not positively received. "We've had quite a few negative concerns letters from people in the Moab area. Not one positive letter, actually."

The regulator recognizes the environmental concerns, he notes, but must also consider the benefits.

"We're wanting to see resources developed in a responsible manner. If that can be done and create jobs and create resources, then certainly we are in favour of that," says Baker. "If there are substantive comments that are supported by regulation, then we will ask the mine operator to amend the mine plan, but if someone just says, 'we don't want tar sands development' because of climate change, that's not something we can deal with at this level."



SOURCE: UNITED STATES BUREAU OF LAND MANAGEMENT

Indeed, oilsands is already mined at two installations in the same Utah area—it's just that no oil is produced. The product is used for asphalt, although there is one pilot bitumen production facility owned by Temple Mountain Energy that has been sitting idle for some time.

"[Utah oilsands] would double U.S. reserves if it was all developed. You will move the needle if you prove up a part of that resource."

— Glen Snarr, President and Chief Financial Officer, Earth Energy Resources

"We are basically selling some of the oilsands for road paving," says Temple Mountain Energy spokesman Lynn Hohensee, adding that the pilot plant has been up and running in the past. "We're trying to perfect the pilot plant, [and] we still have some work to do on that. We're looking for investors to take it down the road. It's a good project, and it's a good source of oil." ►

Our commitment to the environment is renowned.
Our commitment to innovation? **UNDERESTIMATED.**



Many of Bear Slashing's mulching & timber salvage units are custom built to create greater operational efficiency, less ground disturbance & better operator safety. Just one of the many reasons why Bear Slashing is the contractor of choice when it comes to eco-friendly land clearing solutions.

BONNYVILLE | FORT McMURRAY
780.826.8048 | bearslashing.com



You only have so much time,
don't waste it.
Let Crimtech help.



- Project Engineering
- Field Verification
- Design Drafting
- Redline Drafting
- Drawing Maintenance
- Fabrication/3D Modelling
- Metering Schematics



A leader in innovation, we offer a complete line of mechanical, electrical, instrumentation and structural designs.

Crimtech's diverse team is ready to design and build your next project.

1-800-993-9958 | www.crimtech.com



engineering | drafting | custom fabrication

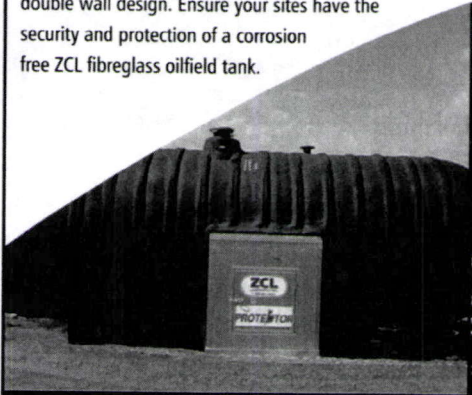

ZCL COMPOSITES INC.
making a lasting difference®

ZCL®
COMPOSITES INC.

Oilfield tanks

A growing awareness for environmental protection creates great concern for companies in the oil and gas industry. ZCL provides fiberglass tanks that are able to be monitored through their unique double wall design. Ensure your sites have the security and protection of a corrosion free ZCL fiberglass oilfield tank.

Visit us in booth #1632 at the Global Petroleum Show

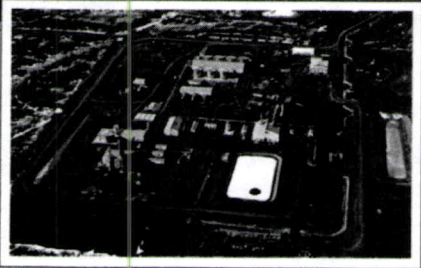



DRAIN TANKS FLARE KNOCK OUTS PRESSURE VESSELS CHEMICAL STORAGE TANKS WATER STORAGE TANKS

ZCL Composites Inc. www.zcl.com **1.800.661.8265**

repeat
expand
sustain

As an integrated oil sands company, Connacher manages risk while fostering exceptional growth.



Connacher's growth strategy emphasizes repeatability, expandability and sustainability to enhance shareholder value.

Connacher has completed construction of its second 10,000 bbl/d SAGD oil sands project at Algar, on time and on budget. In doing so, we advance towards our goal of surpassing 50,000 bbl/d of bitumen from Great Divide by 2015.

Connacher
OIL AND GAS LIMITED

Suite 900, 332 - 6 Avenue SW
Calgary, AB Canada T2P 0B2
E: inquiries@connacheroil.com

www.connacheroil.com TSX: CLL

Temple Mountain Energy hasn't issued a news release since late 2008. Another company, Viper Resources, has rights to oilsands leases in Utah, but is without regulatory approval for development.

"Utah is home to vast deposits of oil shale and oilsands, and also to companies ready to develop these resources in a manner that manages environmental responsibilities while meeting economic and energy goals," says the Utah Mining Association.

With permits now in hand after a three-year regulatory process, it would appear that Earth Energy Resources is the current leader on the oilsands side of this group.

The company says it will be able to produce oil both economically and environmentally through its proprietary technology, which Snarr says is a simple derivative of the Clark hot water process that allowed for oilsands mining commercialization in Canada. The company has a demonstration facility at Grande Prairie, Alberta.

"If someone just says, 'we don't want tar sands' because of climate change, that's not something we can deal with at this level."

- Paul Baker,

Minerals Program Manager,

Utah Division of Oil, Gas and Mining

Vice-president of engineering Tim Wall says the Earth Energy technique uses an agriculturally derived chemical that acts as a solvent to wash bitumen from sand. Snarr notes that Utah bitumen—or tar sand, as it has long been known south of the border—is fundamentally different than the Athabasca vintage in that it is "oil wet" rather than "water wet."

"The bitumen actually sticks right to the sand grain." In the Athabasca region, the bitumen sticks to water, which sticks to the sand grain. All that water is what causes the trouble with tailings ponds, blights the Earth Energy executives say would not exist in Utah.

Wall explains how their process differs from the conventional oilsands mining bitumen extraction method:

"Clark uses a lot of mechanical energy to work on the water layer to separate the

bitumen from the sand, which creates a lot of shearing of fines, which results in tailings. We simply replace that high degree of mechanical energy with our chemical process. We very gently work on the sand to release the bitumen from it. Our fines settle out with the coarse sand."

The product, they say, is a 22-degree API gravity oil that becomes a 13-degree API gravity oil once the chemical is distilled out. Snarr compares the physical footprint of the proposed installation to that of a small thermal production facility rather than a large-scale mine.

"We'll have quite distinct, well-contained mines. We purposefully designed the units to maintain road transportability. Two thousand [barrels per day] is the largest we can make them and still maintain mobility on skids. That then ties nicely with the Utah resource and our plan to maintain the haul economics by periodically moving the plan closer to the active mine area, and then being able to reclaim with no legacy assets or sterilized land," he explains. "We can keep sweet-spot economics on a smaller scale."

Wall says the technology also works well with Athabasca bitumen, but "happens to work fantastically" in Utah. The goal is to get projects going in both places. But if the technology works so well, why haven't any of the majors picked it up? "I don't doubt that if we had wanted to give the keys over, they would be running with it," says Snarr. "But then we would have nothing as a company. That's why we bought our own land." He says that land was much cheaper to access in Utah than it would have been in Alberta.

Says Wall, "Major players have major projects—2,000 barrels per day isn't going to move their needle. You want to build the right flyer before you build the space shuttle."

Snarr adds that Earth Energy has a number of non-disclosure agreements underway, working with four different projects of 500 barrels per day at the company's plant in Grande Prairie.

In Utah, the company continues its geologic work, planning 150 cores this year to be followed by an updated resource report under National Instrument 51:101. The current estimate of its lands is 200 million barrels of recoverable resources. Assuming the company gets the funding it needs, it anticipates first bitumen production in early 2012.

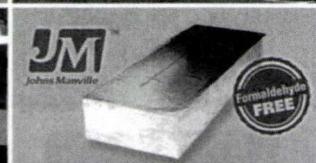
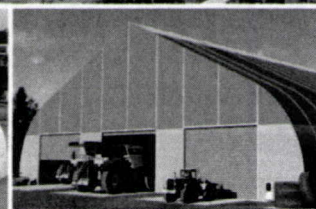
As for the environmental opposition, Snarr says it is a process of education that Earth Energy welcomes.

"There is sort of a background fear that put a lot of falsehoods out. In a way, [the attention] is not a bad thing because we feel that we can deal with their concerns." OSR

info@sprung.com

innovation | versatility | reliability

Reliable Building Solutions for the Oil & Gas Industry



- Optional 8" fiberglass insulation packages
- Significant energy and maintenance savings
- Lease or purchase

The fast, reliable, cost effective alternative to conventional construction

Administration • Manufacturing
Recreational MWR • Food Services
Vehicle Maintenance • Warehousing



1 800 528.9899 | Direct Dial: 801 280.1555

Engineered & Manufactured by
SPRUNG INSTANT STRUCTURES®

AIRCRAFT HANGARS WINTER HOARDING FABRICATION

www.sprung.com